



House of Representatives

General Assembly

File No. 52

February Session, 2012

Substitute House Bill No. 5140

House of Representatives, March 20, 2012

The Committee on Insurance and Real Estate reported through REP. MEGNA of the 97th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING TIMELY PAYMENT TO AN INSURED BY A MORTGAGE COMPANY.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36a-498 of the 2012 supplement to the general
2 statutes is amended by adding subsection (i) as follows (*Effective*
3 *October 1, 2012*):

4 (NEW) (i) (1) No mortgage lender, mortgage correspondent lender,
5 mortgage broker or mortgage loan originator shall withhold payment
6 or endorsement of a payment to a borrower from an insurance
7 company insuring such borrower, when (A) such payment is made by
8 the insurance company for a covered claim and the payees jointly
9 named on the payment instrument are the borrower and the mortgage
10 lender, mortgage correspondent lender, mortgage broker or mortgage
11 loan originator, as applicable, and (B) the borrower has provided any
12 required or requested information reasonably necessary to document
13 the covered claim, to the mortgage lender, mortgage correspondent
14 lender, mortgage broker or mortgage loan originator, as applicable, or

15 loan processor, underwriter or mortgage service company of such
16 lender, correspondent lender, broker or loan originator, as applicable.

17 (2) Any such mortgage lender, mortgage correspondent lender,
18 mortgage broker or mortgage loan originator shall pay or endorse a
19 payment for the full amount of the payment instrument specified in
20 subdivision (1) of this subsection, to a borrower not later than ten
21 calendar days after it receives the information provided pursuant to
22 subparagraph (B) of subdivision (1) of this subsection or, if no
23 information is required or requested, after it receives the payment
24 instrument specified in subparagraph (A) of subdivision (1) of this
25 subsection from the borrower or the insurance company.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2012	36a-498

Statement of Legislative Commissioners:

In line 1, "2012 supplement to the" was inserted before "general statutes" for accuracy.

INS *Joint Favorable Subst.-LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

There is no fiscal impact to the state as the bill's requirements pertain to transactions between mortgage companies and private individuals.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sHB 5140*****AN ACT CONCERNING TIMELY PAYMENT TO AN INSURED BY A MORTGAGE COMPANY.*****SUMMARY:**

This bill, under certain circumstances, bars a mortgage company or related entity from withholding payment or endorsement of a payment to a borrower under an insurance policy claims payment. The prohibition applies to a mortgage lender, mortgage correspondent lender, mortgage broker, or mortgage loan originator. It applies when the :

1. insurance company is making the payment for a covered claim and the joint payees named on the payment form are the borrower and the mortgage lender, mortgage correspondent lender, mortgage broker, or mortgage loan originator, as applicable, and
2. borrower has provided any required or requested information reasonably needed to document the claim to the entity or its loan processor, underwriter, or mortgage service company.

The mortgage lender, mortgage correspondent lender, mortgage broker or mortgage loan originator must pay or endorse a payment for the full amount of the instrument to a borrower within 10 calendar days after it receives (1) the required or requested information or (2) the form, if no information is required or requested.

EFFECTIVE DATE: October 1, 2012

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 14 Nay 4 (03/08/2012)